



FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice, request for comment.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the Market Risk Capital Rule (FR 4201; OMB No. 7100-0314).

DATES: Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments, identified by *FR 4201*, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at

<http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room 146, 1709 New York Avenue, NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on

weekdays. For security reasons, the Board requires that visitors make an appointment to inspect comments. You may do so by calling (202) 452-3684. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, commenters may send a copy of their comments to the Office of Management and Budget (OMB) Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, N.W., Washington, DC 20503, or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: A copy of the Paperwork Reduction Act (PRA) OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB’s public docket files, if approved. These documents will also be made available on the Board’s public website at <http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551, (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC, 20551.

SUPPLEMENTARY INFORMATION: On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the PRA to approve and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every

reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

Request for comment on information collection proposal

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Board's functions, including whether the information has practical utility;
- b. The accuracy of the Board's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the proposal.

Proposal under OMB delegated authority to extend for three years, with revision, the following information collection:

Report title: Market Risk Capital Rule.

Agency form number: FR 4201.

OMB control number: 7100-0314.

Frequency: Reporting, annually; Recordkeeping, annually; Disclosure, annually and quarterly.

Respondents: Bank holding companies (BHCs), savings and loan holding companies (SLHCs), intermediate holding companies (IHCs), and state member banks (SMBs) that meet certain risk thresholds. The market risk rule applies to any such banking organization with aggregate trading assets and trading liabilities equal to (1) 10 percent or more of quarter-end total assets or (2) \$1 billion or more.¹

Estimated number of respondents: 37.

Estimated average hours per response: Reporting, 1,088; Recordkeeping, 220; Disclosure, 68.

Estimated annual burden hours: 13,148.

General description of report: The market risk rule, which requires banking organizations to hold capital to cover their exposure to market risk, is an important component of the Board's regulatory capital framework (12 CFR part 217; Regulation Q). The Board may exclude a banking organization that is subject to the market risk rule if the Board determines that the exclusion is appropriate based on the level of market risk of the banking organization and is consistent with safe and sound banking practices.² The Board may further apply the market risk rule to any other banking organization if the Board deems it necessary or appropriate because of the level of market risk of the banking organization or to ensure safe and sound banking practices.³

The Board's market risk rule requires a subject banking organization to obtain the approval of the Board prior to (1) using any internal model to calculate its risk-based capital requirements under subpart F of the Board's Regulation Q; (2) including in its capital requirement for *de minimis* exposures the capital requirement for any *de minimis* exposures using alternative techniques that appropriately measure the market risk associated with those

¹ 12 CFR 217.201(b)(1).

² 12 CFR 217.201(b)(3).

³ 12 CFR 217.201(b)(2).

exposures; (3) including portfolios of equity positions in its incremental risk model if the banking organization measures the specific risk of a portfolio of debt positions using internal models; or (4) using the method specified in section 209(a) of Regulation Q to measure comprehensive risk for one or more portfolios of correlation trading positions. A subject banking organization also must obtain the prior approval of the Board for, and notify the Board if the banking organization makes any material changes to, the policies and procedures required by section 206(b)(3) of Regulation Q. Further, the market risk rule requires subject banking organizations to (1) have clearly defined policies and procedures for determining which trading assets and trading liabilities are trading positions and which trading positions are correlation trading positions; (2) have clearly defined trading and hedging strategies for trading positions; (3) retain certain financial and statistical information regarding the institution's Board-approved subportfolios of its portfolio exposures subject to the market risk rule; (4) have a formal disclosure policy that addresses the banking organization's approach for determining the market risk disclosures; and (5) make certain public quantitative disclosures.

The collections of information provide current statistical data identifying market risk areas on which to focus onsite and offsite examinations. They also allow the Board to assess the levels and components of each reporting institution's risk-based capital requirements for market risk and the adequacy of the institution's capital under the market risk rule. Finally, these collections of information ensure capital adequacy of banking organizations according to their level of market risk and assist the Board in implementing and validating the market risk framework. There are no required reporting forms associated with this information collection.

Proposed revisions: The Board proposes to revise the collections of information associated with the market risk rule to include the prior approvals a banking organization must obtain from the Board required by sections 217.203(c)(1) and 217.204(a)(2)(vi)(B) of the Board’s Regulation Q.

Legal authorization and confidentiality: The recordkeeping provisions of the Market Risk Capital Rule are authorized to be collected from SMBs pursuant to sections 9(6) and 11 of the Federal Reserve Act⁴; from BHCs pursuant to section 5(c) of the Bank Holding Company Act (BHC Act)⁵ and, in some cases, section 165 of the Dodd-Frank Act⁶; from foreign banking organizations (FBOs) pursuant to section 8(a) of the International Banking Act⁷ and section 165 of the Dodd-Frank Act; and from SLHCs pursuant to section 10(b)(2) and (g) of the Home Owners’ Loan Act (“HOLA”)⁸. Sections 9(6) and 11 of the Federal Reserve Act authorize the Board to require state member banks to submit reports, as necessary. Section 5(c) of the BHC Act authorizes the Board to require BHCs to submit reports to the Board regarding their financial condition, and section 8(a) of the International Banking Act subjects FBOs to the provisions of the BHC Act. Section 10 of HOLA authorizes the Board to collect reports from SLHCs.

The information collections under FR 4201 are mandatory. The information collected through the FR 4201 is collected as part of the Board’s supervisory process, and therefore is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (“FOIA”).⁹ In addition, individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of FOIA if the data has not previously been publically disclosed and the release of the data would likely cause substantial harm to the

⁴ 12 U.S.C. 324 and 248(a).

⁵ 12 U.S.C. 1844(c).

⁶ 12 U.S.C. 5365.

⁷ 12 U.S.C. 3106(a).

⁸ 12 U.S.C. 1467a(b)(2) and (g).

⁹ 5 U.S.C. 552(b)(8)

competitive position of the respondent.¹⁰ Determinations of confidentiality based on exemption 4 of FOIA would be made on a case-by-case basis.

Consultation outside the agency: The Board has consulted with the Federal Deposit Insurance Corporation and the Office of the Comptroller of Currency in confirming the burden estimates listed.

Board of Governors of the Federal Reserve System, April 4, 2019.

Michele Taylor Fennell,

Assistant Secretary of the Board.

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¹⁰ 5 U.S.C. 552(b)(4)

